



Exclusive
Connections

Debt Management



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Debt Statistics

Striking Numbers

£1m every 5 min – Growth in UK debt
£330m – Daily increase in UK debt
£56,234 – Average household debt (including mortgages)
£94.5bn – Amount of interest we pay each year
£1,400bn – Total UK debt

- Total UK personal debt at the end of November 2007 stood at **£1,400bn**.
- Average household debt in the UK is **£8,956** (excluding mortgages).
- Average household debt in the UK is **£56,234** (including mortgages).
- Average owed by every UK adult is **£29,500** (including mortgages). £190 increase from previous month
- Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to **£4,700** per average UK adult at the end of November 2007.
- Britain's personal debt is increasing by **£1 million every 5 minutes**.
- 60% of IVA's entered in to are by adults under the age of 30 and who are not homeowners

Source: Credit Action Today

Today in the UK:

- Consumers will borrow an additional £330m today
- The average household debt will increase by over £13.25 today
- 77 properties will be repossessed today
- 305 people today will be declared insolvent or bankrupt
- 2,750 County Court Judgements (CCJs) issued
- Bank and building societies will hand out £1bn in mortgages today
- Citizen Advice Bureaus will deal with **6,600 debt problems** today
- The average car will cost £15.42 to run today
- More than 7,716 loan repayments are going unpaid every day
- The average home will cost £30 today to run
- £526m will be withdrawn from cash machines today.
- 24.5m transactions worth £1.4bn will be spent on plastic cards today

Source: Credit Action Today

What do we do?

- Assess your full financial situation to provide the best option available to you from a range of products we offer
- Allow you to gain control of your finances by initially putting you on a debt management programme
- Administer your account on your behalf
- Liaise with your creditors on an ongoing basis
- Receive one monthly payment from you and distribute it to the creditors accordingly
- Review your file every three months to see there is another solution available to you

Product Options

- Debt Management
- IVA's
- Trust Deeds (Scotland only)
- Sale and Rent Back
- Full and Final Settlements
- Remortgage

How do they work to suit you?

Debt Management

- allows you to gain financial control of your situation, pay your household debts and your unsecured creditors at a reduced amount suitable to you.
- allows you to bring household arrears payments, such as your mortgage, up to date to prevent losing your home, whilst making minimal payments to unsecured creditors.

IVAs/1 day IVA/Trust Deed

- give you an end date to the situation you are in and allows you to gain control of your finances in a formal arrangement with the creditors lasting 60 months

Sale and Rent Back

- gives you the option to sell your property to a BTL investor, remain in the property by paying monthly rent and use the equity to pay off your debts

Full and Final Settlements

- allow you to pay off your debts at a reduced rate based on the capital you available

Remortgage

- allows you to release equity from your property to use to pay your debts off at a reduced rate

What is Debt Management?

FACT: Debt enquiries to Citizens Advice Bureaux in England and Wales have increased by 20% in the last year, bringing the total to 1.7 million in 2006/07. The number of debt problems brought to bureaux has doubled in the last 10 years.

Debt is now the number one issue advised on in bureaux, accounting for one in three of all enquiries and equates to **6,600 new debt problems a day**.

When someone has borrowed more than they can afford monthly or their financial situation has changed and left them unable to cope with the amount of debt they have this is when a debt management programme can help.

There are thousands of people in the UK facing debt problems and there is always a solution.

A Debt Management Programme is not intended to be a long term solution. It is a way for you to start prioritising your debts and gaining control. It allows you to pay household bills first and then offer your unsecured creditors a reduced payment each month based on your disposable income.

Our first task is to assess your financial situation, incomings, outgoings, unsecured debts, assets and liabilities.

- It is important you maintain your monthly household bills especially your mortgage.
- It is important you no longer use any credit facilities that you have, such as credit cards or overdrafts.
- If you have credit cards you should cut them up and dispose of them immediately.
- If you have an overdraft or any debts with the bank you bank with, we would advise you to open an account with another bank as soon as possible so they cannot take any money paid in to your account. Halifax offer an Easycash account that is a basic account with no lending facilities

EXAMPLE

Client has outstanding debts worth £11,000 spread across 7 creditors. The current cost to service the debt per month equates to £460. The client cannot afford to meet the monthly repayments so we work out how much disposable income they have to pay into the IPP. It is calculated in the Income & Expenditure Financial Statement they can afford £250 per month.

One of the creditors is ABC mail order. The total debt outstanding with them is £2,000. This equates to 18% of the total debt. The monthly payment to them is £85, but as the client cannot afford this it is calculated that Guardian will distribute 18% of the net monthly IPP payment to ABC Mail Order, equating to £33.

Debt Management Questions & Answers

Will I be taking out a new loan to clear my other debts?

No. A Debt Management Plan is a way of helping you make affordable payments to your existing creditors

How does the plan pay off my debts without lending me any money?

We will assess your income and outgoings and ultimately prove to your creditors that you cannot meet all of your payments. We will then negotiate and agree a single new affordable monthly payment. From this payment we will then distribute an amount to each creditor on a "pro-rata" basis. We will then monitor your situation and advise you accordingly

Will my creditors/lenders definitely accept your proposed plan?

Creditors and lenders do not have to accept our proposals, but most are willing to accept them if we can prove it is beneficial and agreeable to both parties. Please note that there is no guarantee that existing or threatened proceedings will be suspended or withdrawn. Your creditors may also continue to issue default notices and add additional costs to your debt. You can rest assured that we will do all we can to ensure your creditors understand the difficulties you are in, to ensure the best possible outcome.

Will I have to pay for longer due to the reduced payments involved?

This is possible; however, the payments will be affordable every month. In addition to this, every effort will be made to encourage your creditors to freeze interest and other charges to ensure your debt reduces as quickly as possible. Should your circumstances improve, your plan can be amended to speed things up. Please note that if your creditors refuse to freeze interest, paying the same debt over a longer period of time will increase the total amount to be paid.

What happens if I fail to make a payment?

It is highly likely that your creditors would withdraw their support of the plan and may commence court proceedings

Can I, and should I, deal with my creditors myself while in the plan?

You can if you wish; however, most people prefer to leave that to us as it is part of the service we provide. Either way, you should keep us informed of all contact made between you and your creditors, including forwarding copies of all correspondence from your creditors. Please do not ignore your creditor letters, forward them to us as soon as possible

Will agreeing to the plan affect my credit rating?

Your credit rating may already be affected if you have been having difficulties making payments to your creditors. Also, any of your creditors may issue a default notice due to the fact you have not maintained the original agreement with them. Please also note that your first payment is retained as part of our fees and that this will initially put your accounts into arrears or further into arrears. It is likely that your ability to obtain further credit in the short term will be affected and this may also be the case over the medium to long term. Please note that credit reference agencies will retain details for 6 years after full payment of the debt has been made.

What does the Debt Management service cost?

The first monthly payment is retained for setting up Debt Management Plan and is therefore not paid to the creditors, which means that each account will go one month into arrears. There is also a monthly management fee of between £40 - £50. Guardian keeps your first full monthly payment to set up the debt management plan, with a minimum of £200.

What does the client pay the fees for?

You are paying for a professional, personal service and employing our skill, expertise and experience of dealing in the finance industry. This ultimately provides you with peace of mind that your creditors are being paid regularly and an amount that you can afford

What should I do if I owe money to the bank I bank with?

If you have any debts with the bank that your salary is paid in to it is essential that you change bank accounts immediately. Halifax and Natwest offer basic cash card accounts that do not need credit checks. If you do not change bank accounts the creditor may keep all the money paid in to that your account towards their debt.

Should I stop paying all my unsecured creditors?

Yes. Cancel all standing orders and direct debits with them immediately and we will contact them with a new reduced proposal. If you have any CCJs please maintain that payment until our first payment goes to them, otherwise this may result in further action against you.

Am I responsible for paying all my household debts?

Yes. We will take care of all the unsecured debts you have but it is essential that you maintain your household monthly bills, especially your mortgage.

What should I do with all the letters I receive from my creditors?

Please send all correspondence you receive to us as soon as possible so we are able to deal with it and update your records accordingly. If the matter is urgent please telephone us immediately. Should any creditors' contact you by telephone inform them we are acting on your behalf and ask them to call us. If they refuse let us know and we will contact them.

Will my creditor freeze interest and charges?

We will endeavour to get interest and charges frozen on your debts but it is at the discretion of the creditors. 95% of the creditors will freeze interest but we cannot guarantee this.

When I return my paperwork what happens next?

We will prepare a repayment proposal and send this to you for your agreement. When this is returned we will contact your creditors with the offer of the new amount. We will then deal with all correspondence and keep you up to date with the progress of your account. The second payment you make to us will be distributed to your creditors and this will continue until further notice.

How do I know how much has been paid to my creditors and when?

Each month we will send you a financial statement that contains details of all the payments made to your creditors and the date this was made. This will be made available online in the near future.

What happens if my situation changes whilst I am on a debt management programme?

Let us know of any changes to your circumstances as soon as possible and we will review your file accordingly and advise on the next step.

Please do not worry about your debts.

We can and we will help you gain control of your finances.

Our aim is to find you a LONG TERM SOLUTION to free you of debt all together

If you have any problems please contact us.



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